

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
FINANCIAL STATEMENTS
For the year ended June 30, 2007

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WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.
Katherine K. Sheldon, C.P.A.

1971 S. State Road
Ionia, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pottersville-Benton Township Fire Department
Pottersville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottersville-Benton Township Fire Department, Pottersville, Michigan, as of and for the year then ended June 30, 2007, which collectively comprise the fire department's financial statements as listed in the table of contents. These financial statements are the responsibility of Pottersville-Benton Township Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to verify certain amounts for accounts receivable, payroll taxes and for accounts payable. Due to a lapse in time from the previous audit completed for the June 30, 2002 fiscal year ended, and the current audits completed for the June 30, 2006 and June 30, 2007 fiscal years ended, several numbers were untraceable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the ending amounts, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Pottersville-Benton Township Fire Department, as of June 30, 2007, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information list in the table of contents are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Hastings, Michigan
August 13, 2008

Walker, Fluke & Sheldon, PLC

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Cash and Cash Equivalents	\$ 42,381	\$ -	\$ 42,381
Accounts Receivable	7,428	-	7,428
Capital Assets (Net of Accumulated Depreciation)	-	347,035	347,035
Total Assets	\$ 49,809	347,035	396,844
LIABILITIES			
Accounts Payable	\$ -	-	-
Accrued Liabilities	59,670	-	59,670
Noncurrent Liabilities			
Due Within One Year	-	27,608	27,608
Due in More Than One Year	-	88,177	88,177
Total Liabilities	59,670	115,785	175,455
FUND BALANCE / NET ASSETS			
Fund Balances			
Unreserved-Undesignated	(9,861)	9,861	-
Reserved	-	-	-
Total Fund Balance	(9,861)	9,861	-
Total Liabilities and Fund Balance	\$ 49,809		
Net Assets			
Invested in Capital Assets-Net of Related Debt		231,250	231,250
Unrestricted		(9,861)	(9,861)
Total Net Assets		\$ 221,389	\$ 221,389

The Notes to Financial Statements are an integral part of this statement.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Revenue			
Contributions from Local Units	\$ 186,992	\$ -	\$ 186,992
Charges for Services	96,020	-	96,020
Interest and Rentals	359	-	359
Other Revenue	<u>3,027</u>	<u>-</u>	<u>3,027</u>
Total Revenue	<u>286,398</u>	<u>-</u>	<u>286,398</u>
Expenditures			
Current:			
Public Safety			
Wages and Fringes	204,903	-	204,903
Operating Supplies	13,907	-	13,907
Automobile Expenses	4,527	-	4,527
Contractual Services	14,750	-	14,750
Insurance	16,069	-	16,069
Telephone	2,004	-	2,004
Fire Board	2,966	-	2,966
Professional Fees	7,921	-	7,921
Repairs and Maintenance	9,753	-	9,753
Utilities	9,568	-	9,568
Miscellaneous	201	-	201
Capital Outlay	5,663	(5,663)	-
Depreciation	-	79,219	79,219
Debt Service			
Principal	25,016	(25,016)	-
Interest	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total Expenditures	<u>323,248</u>	<u>48,540</u>	<u>371,788</u>
Excess of Revenue Over (Under)			
Expenditures / Change in Net Assets	(36,850)	(48,540)	(85,390)
Fund Balance/Net Assets - Beginning of Year	<u>26,989</u>	<u>279,790</u>	<u>306,779</u>
Fund Balance/Net Assets - End of Year	<u>\$ (9,861)</u>	<u>\$ 231,250</u>	<u>\$ 221,389</u>

The Notes to Financial Statements are an integral part of this statement.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Potterville-Benton Township Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Potterville-Benton Township Fire Department:

REPORTING ENTITY

Potterville-Benton Township Fire Department was organized in 1951 by Benton Township and the City of Potterville to provide fire protection and EMS services to the residents and property owners. The Potterville-Benton Township Fire Department operates under an appointed board of seven members.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Fire Department's financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Department's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment and are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general Potterville-Benton Township Fire Department governmental departments, boards and commissions; and (2) fire protection.

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports the following major governmental funds:

- The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Receivables and Payables - The Fire Department has a receivable balance outstanding with Medical Management; the Fire Department's billing company. The Fire Department turns over all billings to Medical Management and the company collects and remits all billings to the Fire Department, less a collection fee. The Fire Department believes that all amounts receivable from Medical Management are collectible and will be received, therefore, there is no allowance for doubtful accounts.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	5 years
Land Improvements	20 years

Long-Term Obligations - In the government-wide financial statements and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Fire Department Board prepares the annual budgets prior to June 30. Budgets for the general fund are adopted at the activity level and reported in the budgetary comparison schedule at the line item level.

During the year ended June 30, 2007, the Fire Department incurred no expenditures in budgeted funds, which were in excess of the amounts appropriated.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

FUND DEFICITS

The Fire Department has accumulated fund balance deficits in the following individual funds:

General Fund	\$ 9,861
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The fund deficits arouse due to a loan from Ionia County National Bank to finance the purchase of a new truck. The Fire Department anticipates eliminating the deficit within the next three years through increased revenues from grants and contributions.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Potterville-Benton Township Fire Department.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Department has designated two banks for the deposit of Potterville-Benton Township Fire Department funds.

The Fire Department's deposits and investments are in accordance with statutory authority.

At year-end, the Fire Department's deposits and investments were reported in the financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 42,381	\$ 42,381
Investments	-	-
Restricted Assets	-	-
Total	<u>\$ 42,381</u>	<u>\$ 42,381</u>

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 42,381
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 42,381</u>

Custodial credit risk is the risk that the Fire Department will not be able to recover its deposits in the event of financial institution failure. The Fire Department's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2007, the Fire Department has deposits with a carrying amount of \$42,381 and a bank balance of \$45,195. Of the bank balance, \$45,195 is covered by federal depository insurance and \$0 is uninsured and \$0 is collateralized. The Fire Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>BALANCE 07/01/2006</u>	<u>ADDITIONS</u>	<u>RETIRE- MENTS</u>	<u>BALANCE 06/30/2007</u>
Land	\$ 68,513	\$ -	\$ -	\$ 68,513
Capital Assets Being Depreciated				
Buildings	90,000	-	-	90,000
Machinery and Equipment	320,122	1,795	-	321,917
Vehicles	<u>529,859</u>	<u>3,868</u>	-	<u>533,727</u>
Subtotal	939,981	5,663	-	945,644
Less: Accumulated Depreciation	<u>587,903</u>	<u>79,219</u>	-	<u>667,122</u>
Net Capital Assets Being Depreciated	<u>352,078</u>	<u>(73,556)</u>	-	<u>278,522</u>
Capital Assets-Net of Depreciation	<u>\$ 420,591</u>	<u>\$ (73,556)</u>	<u>\$ -</u>	<u>\$ 347,035</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Public Safety	<u>\$ 79,219</u>
Total Governmental Activities	<u>\$ 79,219</u>

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

LONG-TERM DEBT

The following is a summary of the outstanding debt of the Fire Department as of June 30, 2007:

	<u>INTEREST RATE</u>	<u>PRINCIPAL MATURES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITION (REDUCTIONS)</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Primary Government						
Governmental Activities						
Other Liabilities						
Equipment Note Payable	4.250%	2011	\$ 140,801	\$ (25,016)	\$ 115,785	\$ 27,608

The annual requirements to pay principal and interest on the note outstanding for the primary government are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 27,608	\$ 4,921
2009	28,781	3,748
2010	30,005	2,524
2011	29,391	1,249
2012	-	-
Total	<u>\$ 115,785</u>	<u>\$ 12,442</u>

RISK MANAGEMENT

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Fire Department manages its risk exposure through commercial insurance. Settled claims did not exceed the amount of insurance coverage for the year ended June 30, 2007.

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Fire Department's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets:

Total Fund Balance - Modified Accrual Basis \$ (9,861)

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

Governmental capital assets	\$ 1,014,157	
Less: Accumulated depreciation	<u>(667,122)</u>	347,035

Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(115,785)</u>
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Net Assets of General Fund - Full Accrual Basis \$ 221,389

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of the net change in fund balance to the net change in net assets:

Net Change in Fund Balances - Modified Accrual Basis		\$ (36,850)
Amounts reported in the statement of net activities are different because:		
Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt)		25,016
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditures for capital assets	\$ 5,663	
Less: Current year depreciation	<u>(79,219)</u>	<u>(73,556)</u>
Change in Net Assets of General Fund - Full Accrual Basis		\$ (85,390)

GOING CONCERN

Potterville-Benton Township Fire Department incurred a net loss of \$36,850 for the year ended June 30, 2007, which also creates a negative fund balance of \$9,861. As shown in the accompanying financial statements, Potterville-Benton Township Fire Department borrowed \$193,000 from Ionia County National Bank to fund the purchase of a new fire truck. As of June 30, 2007, the liabilities exceeded cash by \$125,646. This factor creates an uncertainty about Potterville-Benton Township Fire Department's ability to continue as a going concern. Starting in July 2008, Potterville-Benton Township Fire Department has begun expanding efforts in fund raising, grant writing and solicitation of public contributions, to secure additional funds needed for operation. The ability of Potterville-Benton Township Fire Department to continue as a going concern is dependent on its ability to receive grant and contribution money.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 26,989	\$ 26,989	\$ 26,989	\$ -
Resources (Inflows)				
Contributions from Local Units	186,992	186,992	186,992	-
Charges for Services	142,000	142,000	96,020	(45,980)
Interest and Rentals	300	300	359	59
Other Revenue	<u>400</u>	<u>400</u>	<u>3,027</u>	<u>2,627</u>
Total Resources	<u>329,692</u>	<u>329,692</u>	<u>286,398</u>	<u>(43,294)</u>
Charges to Appropriations (Outflows)				
Current:				
Public Safety				
Wages and Fringes	220,664	220,664	204,903	15,761
Operating Supplies	13,200	13,200	13,907	(707)
Automobile Expenses	5,400	5,400	4,527	873
Contractual Services	-	-	14,750	(14,750)
Insurance	15,000	15,000	16,069	(1,069)
Telephone	2,500	2,500	2,004	496
Fire Board	2,200	2,200	2,966	(766)
Professional Fees	7,500	7,500	7,921	(421)
Repairs and Maintenance	13,000	13,000	9,753	3,247
Utilities	7,700	7,700	9,568	(1,868)
Miscellaneous	1,000	1,000	201	799
Capital Outlay	12,500	12,500	5,663	6,837
Debt Service	<u>32,529</u>	<u>32,529</u>	<u>31,016</u>	<u>1,513</u>
Total Charges to Appropriations	<u>333,193</u>	<u>333,193</u>	<u>323,248</u>	<u>9,945</u>
Excess of Resources Over (Under) Appropriations	<u>(3,501)</u>	<u>(3,501)</u>	<u>(36,850)</u>	<u>(33,349)</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ 23,488</u>	<u>\$ 23,488</u>	<u>\$ (9,861)</u>	<u>\$ (33,349)</u>

The Notes to Financial Statements are an integral part of this statement.